

## **Health Care Cost Containment in MCPS**

For more than 10 years, the MCPS administration and its three employee unions (MCEA, SEIU Local 500, and MCAAP) have worked together through their “Joint Employee Benefits Committee” to control the escalating cost of health care. The parties have shared a commitment to cost containment- rather than simply cost shifting- in order to slow the overall rate of increase for both the employer and employees. A partial list of steps taken includes:

### **Plan Design To Promote Cost Effective Use of Health Care Services**

**Incentive for Enrollment in HMOs** - The MCPS plan pays a higher percentage of premiums for employees enrolled in lower cost, more efficient health maintenance organizations. As a result, 64% of plan participants have voluntarily enrolled in HMOs. (*In contrast, 33% of participants in the county government plan are enrolled in HMOs.*)

**Incentive for Use of Generic Drugs**- Prescriptions for non-formulary, name-brand drugs are automatically filled with generics, unless the physician specifies otherwise. If a participant opts to use a name brand drug when a generic equivalent is available, they have to pay the full cost of the difference.

**Incentive for use of Discounted “Formulary” Drugs**- The three-tier drug co-pay structure also costs the participant more if they opt for a name brand drug which the Pharmacy Benefit Manager has not negotiated a discount from the manufacturer (*the discounted drugs are on the ‘formulary’*).

**Incentive for use of Lower Cost Mail Order Drugs**- Following two initial 30-day prescriptions, maintenance drugs must be ordered through the mail order pharmacy, where they are available at much lower cost to the plan. If a participant does not do so, they pay the full cost of the difference in addition to the retail co-pay.

**Availability of Lower Cost “Mail Order” Drugs at Retail** – As a result of the recent merger between Caremark and CVS, plan participants can now pick up their “mail order” maintenance drugs at their neighborhood CVS pharmacy; further increasing ease of access to lower cost “mail order” prescriptions.

**Requirement to Use Mail Order Pharmacy for New, Designer Biotech Drugs**- The plan has established a specialty mail order pharmacy for biotech drugs, which are some of the most expensive drugs on the market today, and which many physicians are providing, with steep mark-ups.

**Disincentive to Use Emergency Rooms for Non-Emergency Care**- Based on an analysis of plan utilization data, effective 1/1/11 the parties agreed to double the co-pay charged to participants who use high cost emergency rooms but are not admitted for further care. The co-pay increased from \$50 to \$100. Plan savings will be realized by decreasing emergency room usage for non-emergency care. Initial annual savings were projected to be \$550,000.

**Incentive for Use of Urgent Care Centers** – The co-pay for Urgent Care Centers is the same as for doctors' visits, further increasing the financial incentive to use Urgent Care Centers in lieu of emergency rooms for non-emergency care.

### **Promoting Efficient Use of Health Care Services**

**Unbundling of Health Care Plans** – Employees used to enroll in MCPS health, prescription, dental and vision care coverage as a package. Enrollment is now “unbundled”, so employees can opt for just those components that they need and not enroll in plans that they may not need or want. This enables some employees to opt to enroll in certain components through their spouses, without having to enroll in a comprehensive package through MCPS just to get certain coverage.

**Focus on Reducing “High Cost Claims”**- Analysis of plan utilization data indicates that approximately 22.5% of all medical charges are incurred by 1% of plan participants who incur more than \$50,000 in charges in a year. The MCPS Joint Employee Benefits Committee meets regularly with plan administrators to monitor their efforts to better manage high cost claimants through plan vendor disease management programs. The most recent data indicates that both the percentage of high cost claimants, and their average cost, are lower than in comparison groups.

### **Promoting Employee Wellness**

**Promotion of Smoking Cessation Programs**- In order to encourage plan participants to stop smoking, the system has begun offering a high quality smoking cessation program to employees at no cost. The eight-week, face-to-face, cohort based smoking cessation program has been developed in partnership with Kaiser Permanente, and is viewed by Kaiser as a potential national model. The program will be available to all MCPS employees, not just those enrolled in Kaiser.

**Wellness Promotion** - Beginning in 2009, the parties began a joint wellness initiative. A Joint Work Group on Health Care Cost Containment and Employee Wellness conducted detailed analysis of plan utilization data and met regularly with plan consultants. Plan utilization data revealed more than \$36 million in annual health care costs due to asthma, diabetes, obesity, and cardiovascular disease (high blood pressure and high cholesterol) - all conditions that are preventable and manageable. The costs associated with these conditions accounted for 25% of total medical payments. The parties recognize that the best way to slow the growth in health care costs was to help plan participants better manage and prevent these conditions. Many of the Work Group's recommendations have already been implemented.

**MCPS On The Move** - Last fall, in partnership with Kaiser Permanente, MCPS launched a major wellness initiative entitled “MCPS on the Move.” Over a 12-week period, more than 5,300 elementary school staff actively participated, out of an eligible workforce of approximately 10,000. Collectively they logged 137,812 hours of exercise, 51,521,553 calories burned, and an average of 16.8 hours of activity per participant. Total weight loss was 16,490 pounds. Average starting Body Mass Index (BMI) was 26.2. Average ending BMI was 22.4 – taking the group

average from the obese category into the normal weight category. This year the MCPS On The Move campaign is also now being expanded to secondary schools and offices so that it will now be underway at all worksites.

**In-House Wellness Program** - MCPS has recently added a Wellness Coordinator who is leading expanded efforts to increase employee wellness - seminars, promotions, and educational programs. The overall program is now called “Well Aware”, and is being promoted to all employees through regular, and multiple, communications.

**Wellness Discounts** – Through our medical plan vendors, employees are eligible for discount memberships in most of the major area health and fitness clubs and weight loss programs.

### **Limitations of Plan Benefits**

**ED Drug Limits** - Drugs for erectile dysfunction have a quantity limit of six doses per month in the active employee plan, and are fully excluded from coverage in the retiree plan.

**Other Lifestyle Drug Limits** - Anabolic steroids, acne treatments, growth hormones and medications to treat fungal infection will not be authorized by the plan unless the physician can demonstrate that they are medically necessary.

**Smoking Cessation and Weight Loss Drugs Require Concurrent Therapy** - While the parties wish to encourage smoking cessation and weight loss, the research is clear that such medications are rarely effective in the absence of a corresponding treatment plan. Such drugs are not covered unless the plan participant is enrolled in a treatment plan.

**Limited Vision Plan Coverage**- Because the parties have agreed that their priority is on ensuring that plan participants have access to adequate medical, dental and prescription coverage, the MCPS plan provides very limited coverage for vision care expenses.

### **Ensuring Efficient Plan Administration**

**Pharmacy Benefit Manager Audit** - During 2010, MCPS contracted for an independent audit of its Pharmacy Benefit Manager. The audit examined both the accuracy of claims proceeding and the proper crediting of manufactures discounts and rebates.

**Bi-Annual Meetings with Plan Administrators** - the Joint Employee Benefits Committee meets with each major plan administrator (*UHC, Carefirst, Caremark, and Aetna*) to review utilization data, wellness programs metrics, and trend analysis in order to monitor effective and efficient use of plan benefits.

**Frequent Rebidding of Plans**- In coordination with the other agencies, all the plans are rebid on 3-4 years schedule. The medical, dental, vision and life plans were rebid effective 1/1/11. MCPS realized \$914,000 in annual savings on administrative costs and life insurance premiums.

MCPS also negotiated for “wellness credits” from its medical vendors. A total of \$260,000 (over the three years of the contracts) was obtained to expand its employee wellness programs. Effective 2/1/10, MCPS re-negotiated the Caremark prescription drug contract. This resulted in initial annual savings of \$3.6 million and total savings over three years of \$13 million.

**Coordination of Benefits with Medicare-** MCPS requires all retirees who are Medicare eligible to enroll in hospitalization and medical coverage through Medicare (*Parts A and B*). As a result, Medicare is the primary insurer, and MCPS only provides a small supplemental, wrap-around plan.

### **Eligibility Limits**

**Exclusion from Coverage for Limited Part-time Employees** - Part-time employees who work less than 20 hours/week are not eligible to participate in the plan.

**Exclusion from Coverage for Short-term Retirees** - Retirees who have less than ten (10) years of service in MCPS are not eligible for retiree health insurance. This has recently been changed from a previous threshold of just five (5) years.

**Exclusion from Coverage for New Dependents of Retirees** - For a number of years, the plan has prohibited the addition of dependents onto plan after retirement. (*Note: The new federal Affordable Care Act now requires that the addition of new dependent children be allowed. The MCPS plan will continue to prohibit the addition of new spouses.*)

**Prohibition on Duplicate Coverage for Dual Employee Households** - The plan prohibits any employee or dependent from having duplicate coverage through MCPS. Previously, such duplication was allowed and though such plan participants saw reduced out of pocket expenses due to coordination of benefits, the parties agreed to prohibit such duplicate coverage, even though both parents are employed through MCPS.

**Limits on Domestic Partners Coverage** - While MCPS provides coverage for qualified same sex domestic partners, it does not provide coverage for opposite sex domestic partners, as some do.

**Dependent Eligibility Audit** - In 2009, MCPS conducted a ‘dependent audit’ to verify the eligibility of all dependents on the plan. Every employee had to provide documentation. More than 900 ineligible dependents were removed from the plan, for an annual savings of more than \$2.5 million.